

ST. CHARLES POLICE PENSION FUND

1515 West Main Street
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, September 2, 2020 11:30 a.m. – St. Charles Police Department

MEETING CALLED TO ORDER

President Boyce called to order the Special Meeting of the St. Charles Police Pension Board at 11:32 a.m.

ROLL CALL

Members Present: Brooks Boyce, President; Steve Heike, Secretary; Chris Minick, Finance Director (arrived 11:42); Tim Beam, Trustee; and James Keegan, Trustee

Members Absent: None

Others Present: Brian LaBardi, Reimer & Dobrovolny, PC; Edward Lavin, Sawyer Falduto; John Falduto, Sawyer Falduto; Jason Franken, Foster & Foster; Dave Jannusch; Cheryl Shimp, Recording Secretary

APPROVE PREVIOUS MEETING MINUTES

There was an error in printing out the March minutes, need to approve the corrected March minutes. Change Keaton to Keegan.

Motion: To approve the minutes of the March 4, 2020 regular meeting as amended.

Maker: Heike

Second: Keegan

Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Motion: To approve the minutes of the June 3, 2020 regular meeting as presented.

Maker: Heike

Second: Beam

Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

INVESTMENT ACTIVITIES

Faldo distributed copies of the latest quarterly report and gave a brief overview of the report. Discussion was held on portfolio allocation. The portfolio began the quarter with \$32,774,000; during the quarter, \$1.1M in contributions was received; distributions of \$462,000; leaving \$33.4M for investing. The portfolio ended June 30, 2020 with \$38,469,000 up \$4.753M. Total market value ending August 31, 2020 was \$41,134,000 or up 5.7%. Discussion was held on the economic overview, stimulus package, federal reserve keeping interest rates low, performance review of benchmarks, diversification, risk vs. return, market turmoil, November elections, etc.

Minick inquired about the deviations in the fixed income from the target range. Falduto stated that this was as a result of the transfer of all the funds to Sawyer Falduto. The fixed income side of the market is much more challenging to buy and sell. It is a work in progress. Falduto noted that no changes to the allocations are required.

Motion: To accept the Sawyer Falduto Investment Report as presented.
Maker: Keegan
Second: Boyce
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

OLD BUSINESS

None.

ACCOUNTANT'S REPORT/PRESENTATION OF BILLS FOR DISBURSEMENT

Motion: To approve Addendum A in the amount of \$115,166.25 as presented.
Maker: Minick
Second: Beam
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

APPLICATIONS FOR MEMBERSHIP

Boyce noted that no new applications for membership at this time. There will be several for the December meeting. Five (5) new hires are expected on September 8, 2020. These are all lateral moves and 4 have expressed an interest in transferring their time.

APPLICATIONS FOR BENEFITS

Boyce reported that there were 2 retirements since the last meeting. Patrol Commander Mike Griesbaum retired. Griesbaum was hired on 07/05/1990 and retired on 07/06/2020; 30 years creditable service, DOB of xx/xx/1966, salary attached to rank was \$143,282.04; which equates to a 75% monthly benefit of \$8955.13.

Motion: To approve the retirement monthly benefits for Michael Griesbaum as presented.
Maker: Keegan
Second: Beam
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Boyce reported on the retirement of Officer Bridget McCowan. Officer McCowan was hired 04/12/1993 and retired 08/07/2020; 27 years of creditable service; DOB of xx/xx/1970, salary attached to rank was \$108,369.56; eligible for 67.5%, which equates to a monthly benefit of \$6095.79.

Motion: To approve the retirement monthly benefits for Bridget McCowan as presented.
Maker: Heike
Second: Beam
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

LaBardi reported that Officer Kern is due for his annual examination in December. Shaw had an annual examination this past February and turns 50 in December. The Board needs to determine if they wish to send Shaw for a final examination.

Motion: To authorize Reimer's Office to set up the annual examination for Scott Kern.
Maker: Beam
Second: Minick
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

After a brief discussion, the Board decided not to send Shaw for another examination.

Motion: To continue disability benefits for another year for Scott Kerns pursuant to the doctor's report subject subsequent annual evaluations in accordance with the Pension Code.
Maker: Heicke
Second: Minick
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

ATTORNEY'S REPORT

Newsletter distributed to all members. As a result of everything being shut down due to COVID, there was an amendment to the Open Meetings Act (OMA) regarding ZOOM Meetings. This amendment states if there is a disaster declaration that covers St. Charles, the Board has the ability to meet over ZOOM, via conference call, Skype, etc., as opposed to meeting in person. There are some rules when meeting electronically, the most important being that every vote is a roll call vote.

LaBardi noted, in the interest of full disclosure, his firm is General Counsel for the Police Investments Funds for the consolidation board. There is still no discussion, on the police side, of the transfer of assets. The consolidation board has up to 30 months to complete this take, which would be June 2022. The Board should have received a request for demographic information from the consolidation board, in order to conduct the elections for the permanent board. The nomination process was recently closed. Ballots should be forthcoming. The elected board is supposed to be seated in January. The consolidated board has hired an Executive Director, Rich White. Both the Police and Fire Consolidated Boards have been meeting via ZOOM. Agendas are posted on the IML website as well as a Facebook page. The Fire consolidated board is moving along much quicker than the Police.

NEW BUSINESS

Pension Conference – Boyce noted that the following are registered for the IPPFA Conference at the end of the month: Beam, Heike, Boyce. Still haven't received any information on how this conference will be conducted. Participants may view the conference posting for 30 days after the conference. Keegan noted that he needed to register and Minick is looking at alternative training to meet the statutory requirements.

Motion: To approve registration fees for the IPPFA Fall Seminar for Boyce, Heike, Beam, Keegan; and registration fees for Minick & Keegan for the IGFOA
Maker: Minick
Second: Beam
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Annual Audit – Minick distributed the audit packet to all members. These documents are in draft form as the final audit has not been finalized. Minick stated that he doesn't expect any changes on the pension side of the audit. Minick gave a brief overview of the audit. Final reports will be available for the December meeting. Auditors awarded the Fund the best opinion they're able to give.

Financial Statements – Draft Financial Statements were distributed to all members. Finalized versions will be available for the December meeting. Minick stated that if any of the members had any questions on the audit or financial statements, to contact him. He could also give a presentation at the December meeting, if desired.

Actuarial Valuation – Franken gave a brief overview of the Actuarial Valuation as of May 1, 2020. Stated the one big change this year, there were no assumption changes and no method changes, there was a legislative change, which was part of the consolidation bill. The Tier 2 benefits were improved. Tier 2 employees received a much lower pension benefit than Tier 1 employees. As part of the consolidation, these benefits were increased. They are still lower than Tier 1, but significantly higher than before. These changes took effect the beginning of this year and are reflected in the actuarial. The asset returns for last year was a -3%, however, part of this is due to timing. Plans whose fiscal years end on 12/31 rebounded and ended the year around 17%. The plans that end on 04/30 had very few positive returns. Overall, the plan is doing very well. The timing with the COVID outbreak and the market crashing in March contributed to this negative result. Fortunately, the investment gains and losses are smoothed out over a 5-year period so you don't take the entire hit immediately. These results increased the Fund's unfunded liability and increased the contribution requirements. The State Statute requires that the plan be 90% funded by the year 2040, but this is expected to change, probably to 2050. Foster & Foster doesn't believe that the plan should ignore 10% of its funding for the next 20 years, so recommends funding at 100% funding. Another component to the unfunded liability is the increase in benefits for Tier 2 employees. The minimum of the 90% is what the City is obligated to pay. The good news is that the City has been funding based on the 100% basis. Recommended contribution is \$3,756,438. Discussion continued on funding strategies, pension ramp, investment returns, increase in contributions, level dollar funding, actuarial numbers from the consolidation board, funding at the minimum requirements, etc.

Motion: To approve the Actuarial Valuation Report as of May 1, 2020 as presented
Maker: Minick
Second: Beam
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Motion: To Recommend a Contribution of \$3,756,438 to the City of St. Charles.
Maker: Minick
Second: Beam
Roll Call: Keegan – Aye, Beam – Aye, Minick – Aye, Heike – Aye, Boyce – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

LaBardi will draft the recommendation letter and forward same to the City.

Municipal Compliance Report – Defer to the December Meeting

PUBLIC COMMENTS

None.

ADJOURNMENT

There being no further business to discuss, motion to adjourn by Secretary Heicke. Seconded by Trustee Minick.

Motion: To adjourn the meeting at 1:05 p.m.
Maker: Minick
Second: Heike
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 1:05 p.m. The next regular meeting is scheduled for December 2, 2020.

Respectfully submitted,

President

Secretary